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EDP: GETTING *RE:DY* FOR THE FUTURE

ANA LUÍSA ABREU SOARES ANTUNES

2599



A Case Study carried out with the supervision of:

Professor Luis F. Martinez

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Abstract

This Case Study describes the optimization process completed by the Portuguese utility firm EDP – *Energias de Portugal* in order to improve the performance of its most recent energy management solution: re:dy. Grounded on a product management perspective, this paper addresses the issues faced by re:dy at its early stage in the market, as well as product, place, promotion and price related solutions implemented to solve them. It also seeks to demonstrate the importance of strategical product development in companies' ability to adapt to a fast changing and uncertain market environment.

Keywords: Product Management, Utilities, Marketing, Strategy

EDP: Getting *Re:Dy* for the Future

It was 2015 and for EDP – Energias de Portugal, the biggest electricity company in Portugal, the last years had been particularly challenging. At a macroeconomic level, geopolitical issues, the economic slowdown in China and in other emerging markets, the increase of markets volatility and the depreciation of the energy prices had resulted in a difficult market environment for the utility sector.

At the same time, utilities were facing an array of challenges due to an increasingly information and technology driven environment. Digital revolution, distributed generation, investment and affordability, increasingly demanding clients, cleaner energy, smarter energy, the changing role of a customer – all of these topics were adding to a new utilities market structure that naturally influenced companies' strategies. In order to capitalize on these tendencies and avoid being “swallowed” by competitors, EDP knew that it would have to invest in the development of cutting-edge ideas, capable of keeping up with the future trends as well as fulfilling the increasingly demanding consumer needs.

Hence, it was time for EDP to give Re:dy, its most recent and innovative offer, a new push. Re:dy had been created so that users could connect and control their electronic devices in a single app. It offered many benefits, such as the possibility of controlling home energy consumptions, monitoring the performance of power generation systems, scheduling the usage of household gadgets and automating home energy management. Despite being simple, efficient and easily customized, re:dy's initial figures had failed to succeed and there was still room for major improvements.

For re:dy's team members, something had to be done, especially due to re:dy's high strategic importance for a company like EDP. It was imperative to understand how to take advantage of this service's full potential value and carefully evaluate alternative solutions to do so.

As one can imagine, this process would not simple. From product features and pricing strategies, to communication tactics and distributions channels, all of these topics had to be analyzed. Why wasn't there a higher demand for a product like re:dy? Was the pricing strategy suitable? What communication channels should be used? Was re:dy sophisticated and practical enough? Were the Portuguese consumers actually ready for a service like this?

Company Overview

EDP – Energias de Portugal was born in 1976, as a result of the nationalization and merger of the leading companies in the electric Portuguese sector. At this point, EDP was purely focused on electricity and as a state-owned company, it was in charge of the electrification, modernization and extension of the whole Portuguese energy system.

In the nineties, due to legal changes imposed by the government, EDP became a public-limited company, being its activity mainly centered on the generation, supply and distribution of power. Since then, EDP expanded its business into complementary and related areas such as renewable energies, laboratory testing, real estate management and information technology services.

Over time, EDP grew to become one of the top business groups as well as the largest generator, distributor and supplier of electricity in Portugal, as well as one of the largest gas distributors in the Iberian Peninsula.

Nowadays, as a public-limited company - state and other public entities hold a minority share in its capital – EDP has a relevant presence in the world energy landscape, being present in 14 countries with 9.7 million electricity customers, 1.4 million gas customers and more than 12 thousand employees.

Global Energy Future Trends

Involved in a predictable and stable environment, the utility sector has remained unchanged for years. However, especially during the last decade, future trends have been demanding new capabilities and triggering new business models and regulatory frameworks.

One of the trend lines shaping the future of the power sector has been the growth of home automation. In fact, differentiated by their advanced automation systems and ability to provide inhabitants with a sophisticated control over their houses' functions, smart homes are expected to represent a 150 billion US dollars' market by 2020. [1]

Alongside with home automation, the Internet of Things has also been gaining relevance amongst consumers and businesses, with forecasts indicating there will be 34 billion connected devices by 2020, up from 10 billion in 2015. [2]

In addition, as evidenced in **exhibit 1**, we are witnessing a strong momentum for penetration of electrified vehicles, especially as environmental regulations for carbon emissions reduction grow and solar panel prices continue to drop. And whilst electric cars only represent 1% of today's vehicle sales, it is predicted that this number will reach 35% in 2040. [3]

The future is also leaning towards the decentralization of energy¹, associated with higher consumer demands. In fact, customers will want to control their electricity usage and spend, as well as when and what type of power they buy. But beyond that, they will also want to have the ability to self-generate energy, storage it and sell it back to the grid, in order to be used by other

¹ The concept of decentralized energy is based on the production of energy close to where it is used (primarily through solar photovoltaic panels at the consumers' houses), rather than at a large plant elsewhere and sent through the national grid. [4]

consumers. This is going to originate a new type of energy client designated prosumer²: producer and consumer of energy.

Hence, there is a strong tendency for power generation and storage to be based on a variety of small, grid-connected devices (often referred as DER – distributed energy resources) [4]. Major reasons for this are the efforts to protect and conserve environmental resources (supported by corresponding incentives and political parameters), the deregulation and liberalization of the energy markets and the availability of new and lower-priced and more efficient technologies, which have allowed grid parity³ for solar and wind power to become a reality in a growing number of markets.

Finally, the role that utilities have against climate change is becoming increasingly important, especially with the development and growth of renewable sources of energy, which are considered to be the major response to the future desired electrification in the world. [7]

2013: Rethinking EDP's value chain

The traditional value chain for energy players such as EDP used to be based on three main elements: production, distribution and commercialization of energy. Issues like grid security, service reliability, customer service, projected growth in electricity needs and managing investments used to be imperative.

However, back in 2014, given the major and rapid transformation that the energy and utilities landscape were undergoing, it was clear that sooner or later the traditional electric utility model would be upended and companies would need to adjust their business models in

² The term *prosumer* was initially adopted in the 1980's and refers to a consumer who becomes involved with designing or customizing products for their own needs (Oxford Dictionaries.
<https://en.oxforddictionaries.com/definition/prosumer>. Accessed January 15, 2016)

³The term “grid parity” describes the point in time in which a technology will produce electricity at the same cost as the electricity available on a utility's distribution grid [6]

order to operate in a new energy market. **Exhibit 2** presents the main differences between traditional and forward-thinking utilities.

Taking these matters in consideration, EDP established that, in a near future, decentralized energy management services at the client's house would be added to its traditional value chain. These services' main goal would be to assist *prosumers* on their energy producing, management and consuming activities, originating new specialized business sectors related with: battery switch and charging technologies (for electric vehicles for instance), power storage and load management solutions, generation and grid integrators, clean technologies (solar, bio fuels, fuel cells...), demand response management (development of more energy-efficient appliances, thus reducing peak energy usage by moving less critical activities to non-peak times) and information services.

All in all, EDP was aware of the fact that prosumers would need assistance in order to manage and understand their self-produced energy in an efficient way, thus designing a wide range of services that would not only contribute to EDP's ability to keep up with the market's changes but also to capture new sources of revenue, whilst building a close relationship with its clients.

2014: Launching Re:dy, a Strategic Offer

It was bearing in mind forthcoming trends and value chain adjustments that EDP created re:dy, an energy management solution designed to allow its users to connect, control and automate their home electric devices in a single app.

Launched in 2014, re:dy is a product based on the smart home concept, positioning itself on each element of the smart home business and aggregating four of EDP's products: solar energy, energy storage, electric mobility and, above all, decentralized energy management. Integrating all these components allow EDP to provide its users with a new and empowering

experience, giving them the possibility of becoming true *promasumers*⁴: producers due to their own energy production through solar panels; managers since they can control and manage their home's consumption and equipment; and consumers for their normal electric consumption and by adding new elements to their electric portfolio, such as an electric vehicle.

Beyond adding value to the consumers, *re:dy* is also a highly strategic offer. On one hand, it is an instrument to capture new sources of revenue by providing services at the *promasumers*' houses. On another hand, it is meant to act as a complementary product for solar energy, electric cars and decentralized energy related products offered by EDP.

Key Competitors

EDP's major competitors are composed by the also Iberian energy players Galp Energy, Endesa, Iberdrola and Gold Energy. However, for a service like *re:dy*, the main competitors derive from big international tech companies, rather than other utility companies.

Google, for instance, offers the Nest products: programmable, self-learning and sensor driven thermostats, smoke detectors and security cameras, which are able to communicate between each other, as well as with a range of compatible devices from other brands⁵ in order to provide consumers with an increased control over their houses' functionalities.

Equivalently, Apple has launched the HomeKit system, which also allows users to control and automate electric devices in a single app. However, similarly to what happens with Nest, the HomeKit app only works with specific enabled devices (from Apple and some other partners).

⁴ This term was created by EDP in order to describe clients who were not only producers and consumers, but also energy managers.

⁵ In 2014, Google launched the Works with Nest program, which allows devices from third parties (such as Mercedes, LG, Whirlpool and Phillips) to communicate with the Nest products.

In addition, EDP also faces competition from international utilities such as British Gas (with the smart thermostat Hive and the AlertMe system), as well as from some startups that have recently entered the market of home automation.

Targeting and Positioning

Re:dy's target audience is mainly composed by 30 to 60-year-old male individuals belonging to middle to upper class society, characterized as gadget and technology interested, energy conscious, parents and heads of homes.

Regarding re:dy's positioning, EDP wants this service to be perceived as an energy management solution capable of maximizing the comfort and efficiency that people experience at their homes, differentiated by its ability to connect and integrate devices from all sorts of brands in a single app whilst offering avails in all the three *promasumers'* main activities - production, management and consumption of energy.

Product

Re:dy can be described as a system designed to allow the connection and control of all home electric devices in a single app. In order to do so, re:dy includes three distinct and co-dependent elements: the peripherals, the smart box and the app.

The peripherals are smart plugs that electric devices must be connected to in order to be integrated in the system. The first peripherals offered by EDP were: the re:dy plug, the re:dy meter and the re:dy plug solar. Each one of these peripherals is represented in **Exhibit 3**, as well as which types of devices they are compatible with.

The re:dy Box (as can be seen in **exhibit 4**) is responsible for integrating and processing all the information gathered by the peripherals, turning it into important data that clients will be able to access and manage through the third and last element, the re:dy app (**exhibit 5**).

The re:dy system offers many features, such as the possibility of monitoring home energy expenditures (What is my home consumption? At what tariff? Which equipment is

responsible for consuming the most?), solar power generation (Is my solar system performing as expected? How much of its energy production is actually being used?) and electric car consumptions (How much am I saving with electric car mobility?).

Besides monitoring, this service also offers the possibility of controlling devices, as one of re:dy's team members explained:

“Already in bed and the stand-byes are on? Switch them off. Is it raining? Switch the irrigation system off. Not sure the toaster is off? Check it on your smartphone, and turn it off if necessary. And these are just some of re:dy's many possibilities” (Re:dy team member n°1)

Furthermore, re:dy has an automation component, by allowing any user to “teach” its home how to work through personalized scheduling (such as turning on the heating only when the electricity power is lower or having the stand-byes off during the night). In fact, beyond scheduling each component, it is possible to create “routines” that incorporate different devices⁶. Users can also be alerted in case of anomalies (a monthly budget can be set so that alarms are activated if there are any unexpected consumptions or if a certain equipment is working during times in which the tariff is higher).

Last but not least, re:dy incorporates an optimization feature, by providing information regarding most suitable tariffs and contracted powers, thus allowing consumers to identify saving opportunities and increase energy efficiency over time.

Price

When re:dy was launched it had an initial cost of 99eur, including the installation service, the smart box rental and two smart plugs. A fixed monthly payment of 5,9eur was also required, as well as a minimum loyalty period of one year, after which users could cancel the service.

⁶ An example would be the “Holiday Routine”, through which all the stand byes would be switched off and the presence lights would be switched on; or the “Arriving at Home Routine”, that would make music start playing and the air conditioning start working at a certain temperature.

Place

Regarding distribution channels, re:dy was available for purchase in EDP stores (more than 60 physical stores spread across the country) and online, through the EDP website. Here consumers could find a wide range of informative content about the service, including payment conditions and useful step-by-step guides on how to use the system. At this stage, no indirect channels (such as retailers or wholesalers) were used in order to reach the end consumer.

Promotion

At an initial stage, re:dy's promotion strategy was solely focused on point of purchase advertisement. On one hand, re:dy was promoted in EDP physical stores with the help of print media, namely through informative brochures, as well as banners, interactive posters and light boxes⁷. On the other hand, explanatory videos were presented on the EDP website in order to generate increased interest and attention amongst potential buyers and show them the different benefits re:dy had to offer.

Re:dy: Turning Point

Back in early 2015, with little awareness amongst consumers and low sales volumes, re:dy was still in a premature market stage: not only was it clear that the majority of the Portuguese consumers didn't know about re:dy's existence, but also that those who knew about it were still unaware of how it could benefit their daily lives. This way, additional tools would have to be used and improvements would have to be implemented to make sure a highly strategic service like re:dy was successful, not only in the near future but also in the long term.

Thus, re:dy's team members decided to conduct a series of market studies - focus groups, as well as surveys in the form of structured interviews and questionnaires - in order to better understand the consumer needs, identify an adequate communication approach and analyze the main drivers and barriers regarding re:dy's acquisition.

⁷ A type of point of sale display that uses florescent bulbs to illuminate a poster inserted from the side or rear of the box.

Grounded on both qualitative and quantitative data, these studies would not only help identifying practices to lift re:dy's sales and awareness but also establishing a suitable strategy to prepare this re:dy for the future.

Take 1: April 2015

On an early morning of April 2015, re:dy's team members gathered to evaluate the outcome of a first range of focus groups conducted under re:dy's optimization process.

The group started by analyzing the feedback given by current users. According to them, re:dy was a simple, easy to use and intuitive service that could be acquired easily, being the EDP website the channel most widely chosen by the interviewees.

In addition, the possibility of monitoring and controlling home energy consumptions had been the most pointed out reasons to purchase re:dy, as well as a need to identify saving opportunities. But at the same time, many participants had expressed that their desire to experience innovative and modern gadgets had been one of the main motivations to buy the service. One of the interviewees had mentioned, for instance:

“I love gadgets. I like to be able to check online how much I am spending... and if that expenditure is higher during the summer or during the winter, or which equipment is consuming the most. I am an engineer, so this type of service is pleasurable to me. It has that feel-good factor.” (Interviewee nº1)

In fact, beyond offering functional benefits, re:dy also seemed to have a lifestyle component, especially amongst tech lovers. For them, this system was not just about monitoring or controlling devices, but also about the experience itself.

Next, regarding main disadvantages of the service, the interviewees had pointed out the “high” price, as well as the reduced number of peripherals included on the base kit. In fact, when purchasing re:dy, only two peripherals were offered and with that small number of smart plugs, some of the features Re:dy offered, such as the automation, got extremely hard to benefit

from. And although users could buy extra plugs in order to connect more devices and be able to take full advantage of the service, most of them ended up not doing so because they did not consider the “high” investment was worth it.

Taking these matters into consideration, some interviewees had even admitted to cancel the service in the future:

“I obviously like the service. But given the fact that there’s already a high initial investment of almost 100 euros, I think the monthly payment is way too expensive. That’s why I only plan to use re:dy for a year, during which I will gather the information I need about my consumptions and maybe optimize some behaviors. After that, I will probably cancel it.”
(Interviewee n°2)

The group’s attention was immediately drawn into this subject. Given re:dy’s strategic importance for the future of EDP, it was important not only to acquire new customers but also to maintain them over time. In fact, re:dy had been created as a long-term solution for energy management, rather than a service based solely on monitoring, that could be used and exhausted relatively quickly.

At this point, a first conclusion was drawn: new alternative kits, with more affordable prices and a higher number of smart plugs, would have to be considered in order to secure Re:dy’s future sustainability:

“Our clients are aware that Re:dy’s possibilities and benefits increase as the number of smart plugs acquired increase. You cannot control your home with only two plugs, and you definitely cannot make your home “smart” by automating a few devices. We need to consider offering alternative packages with reduced monthly payments and a higher number of plugs. This way, clients would be able to enjoy all features and start looking at our service as a long-term solution, and this cancellation issue could be minimized” (Re:dy’s team member n°1)

This need to reassess prices and offers became even more evident when the group started analyzing the responses given by potential users. According to them, pricing was also re:dy's primary disadvantage, as well as its main acquisition barrier. Thus, re:dy's pricing strategy was not only leading to high rates of cancellation after the first year of usage, but also harming EDP's ability to acquire new clients. However, before deciding on a new pricing strategy, more data would have to be collected.

Hence, it was now time to end the meeting. Soon, all the team members would meet again to continue working towards re:dy's optimization and hopefully come up additional tools to improve its performance.

Take 2: June 2015

In June 2015, re:dy's team members met once again. This time, however, the focus would be on marketing and promotion strategies, topics with even greater relevance when it comes to products recently introduced into the market.

Hence, the group started by defining a communication plan for re:dy. On a first stage, the goal would be creating awareness about the service and increase its exposure. Given the limited budget available and the target audience identified, it was agreed that bellow the line marketing tools would be the most adequate. These would not only include outdoors and at the point of purchase advertisement but also pop-ups in Sapo, Expresso, Jornal de Negócios and Jornal Económico⁸. In addition, in order to create buzz around early adopters, social networks would be used, especially Facebook and Youtube, where explanatory videos would be available to give potential clients a clear and straightforward idea of re:dy's potential benefits and features.

On a second stadium, the main focus would be on demonstrating in greater detail re:dy's operation and features, not only at the already existing points of purchase (both EDP physical

⁸ Portuguese online newspapers

stores and website) but also in special stands spread across shopping centers and other crowded locations, as well as in retailers such as Worten, Fnac and Media Markt⁹ (where Re:dy would be demonstrated and available for purchase). On one hand, these demonstrations would make the service and its benefits more tangible in the eyes of the prospects, thus helping them get interested and excited about the offer. On the other hand, they would help showing the easiness through which consumers could purchase, install and use re:dy. In fact, many potential clients thought that re:dy would imply a complex installation process (including home constructions), or that the available smart plugs would not work with some types of devices. This way, by being presented a clear demonstration about the service, some of these clients' concerns could be eliminated, as well as important purchase barriers.

The third and final stage would consist on growth hacking¹⁰, namely by enticing experimentation through free trials. Thus, consumers would be given the chance to try a free app on their own mobile devices. In exchange, they would have to share re:dy's Facebook page with their friends, which would further contribute to the service's exposure.

Hence, to sum things up, re:dy would soon be available in a wider range of locations, which combined with an intense communication – based on boosting exposure, demonstration and experimentation – would allow it to reach bigger audiences and capture more users.

Take 3: September 2015

By September 2015, a new meeting took place so that re:dy's new kits and prices could be redefined.

Prior to that, re:dy's pricing was composed by an initial installation value of 99euros and a monthly payment of 5,9 eur. In addition, users were only allowed to cancel the service after the first year of contract (fidelization period).

⁹ Large retail chains that sold cultural and electronic products

¹⁰ Process of rapid experimentation across marketing channels to promote the product, as well as identify effective ways to develop the respective business

As re:dy's team members had realized a few months before, this was clearly inadequate. On one hand, the perceived high monthly payment was making it extremely hard to maintain users over time (many of them were considering cancelling the service after the first mandatory year of contract). On the other hand, many potential clients were unwilling to accept a loyalty period, especially given the fact that it was a new offer in the market. In cases like this, consumers seemed to be more willing to pay for a higher entrance and no loyalty, than for a service or product with a lower entrance but a loyalty period.

Hence, re:dy's new pricing strategy was built upon three main components: no loyalty period (users could cancel the service at any moment); a lower monthly payment of 3,9 eur; and a higher initial payment, ranging between 102 eur and 157 eur, depending on the kit chosen. **Exhibit 6** presents a list of the new kits offered.

In addition, the group decided that new clients would be offered the first six monthly payments for free. Once again, in order to take advantage of this promotion, clients would have to share re:dy's page with their Facebook friends.

Last but not least, a unique packaged bundle¹¹ would be available, joining the re:dy starter kit with solar photovoltaic panels in a combined unit at a discount price.

Take 4: December 2015

At this stage, a series of important decisions regarding re:dy's promotion, distribution channels and pricing had been made. However, a question remained: What should be done to improve the service itself and increase its perceived value?

For re:dy's team members, the answer was based on the service's attributes:

"The more devices re:dy can integrate the better: increased connection, increased control and increased benefits for costumers. When looking at the current solutions, I can't help

¹¹ Product bundling is a marketing approach where multiple products or components are packaged together and sold as one solution, at a discount price

but wonder: what about air conditioning systems? And heating pumps? None of our smart plugs is able to connect to such devices” (re:dy’s team member n°2)

Hence, the team decided that two new smart plugs would be offered: the re:dy plug A/C (designed for air conditioning systems) and the re:dy Switch (suitable not only for heating pumps but also for boilers). As a result, two additional kits became available (as can be seen in **exhibit 7**).

In addition, to provide users with a more unique experience, the re:dy app would send each user personalized notifications related to both current and potential savings, as well as suggestions to increase consumption optimization.

2016: Getting Re:dy for the future

As we have just seen, 2015 was a year of great challenges for EDP re:dy, from the development of additional features and attributes, to the establishment of new pricing and communication strategies. By early 2016, all of these changes had been fully implemented and by the end of that year, re:dy’s users had almost tripled, from 2500 registered clients in December of 2015 to 7000 in December of 2016, with a continued expected growth in the following years.

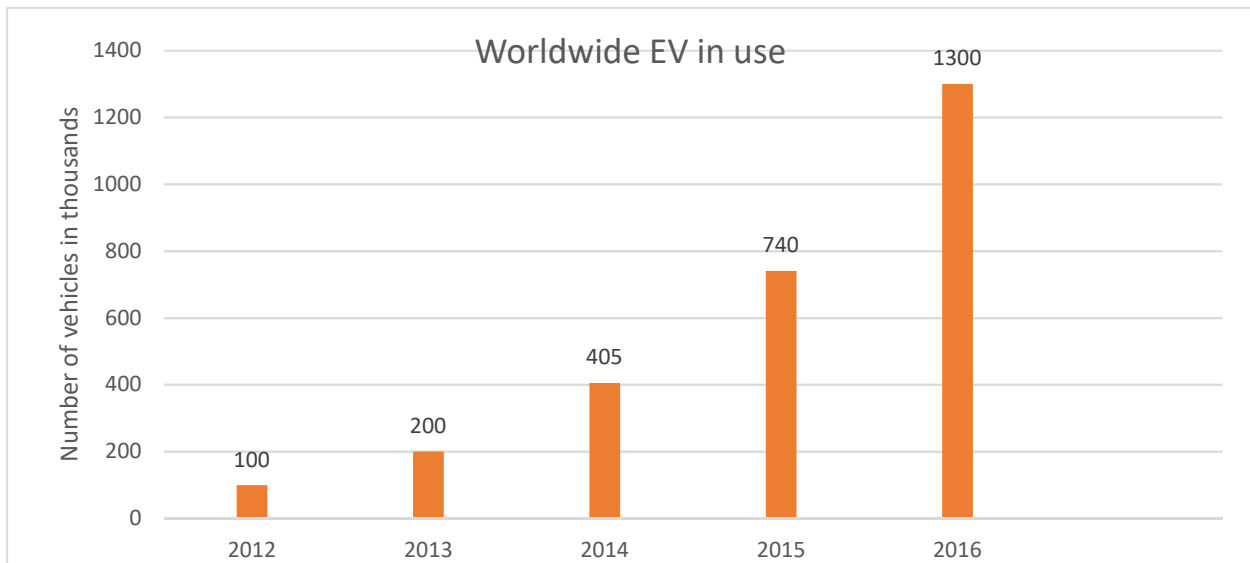
Despite these developments, re:dy’s current solution is probably not going to be attractive for consumers in a distant future. Smart homes are expected to become increasingly automated and electric devices, with higher levels of intelligence and ability to communicate between each other, will be able to rapidly discard the need for smart plugs. Once that happens, consumers will want their smart homes to make the decisions for them, rather than having to monitor and control their electric devices themselves:

“Forget the current crop of smart thermostats and smart security systems – the real smart home of the future is a learning ecosystem, capable of capturing your habits and movements by using information from your wearables and scores of connected sensors. We do not know

exactly how many years it will take for us to get to this stage, but when we do, re:dy as it is today will not make sense” (re:dy’s team member nº3)

Taking these matter into consideration, will EDP be willing to invest higher amounts of resources to keep re:dy in a competitive position in the market? And if it does, will re:dy be able to survive?

Note: For the purpose of this paper, and to provide students with a more clear and objective analysis, some of the dates of the events were slightly altered, thus contributing to a more structured and reader-friendly Case Study.

Exhibit 1 Worldwide number of electric vehicles in use from 2012 to 2016 (in thousands)




Source: Statista (2017)

Exhibit 2 Traditional vs. Forward Thinking Utilities

Factor	Traditional Utility	Utility That Recognizes the Extended Value Chain
Business Model	Simple, based on steadily increasing electricity sales, typically from an expanding asset base of centralized generation and traditional delivery infrastructure	Complex, integrated energy services serving diverse and evolving customer needs with an information-enabled infrastructure
Services	Regimented commodized services	Diversified, innovative service provider
Electricity Demand	Increasing	Flattening (on a normalized base) with a potential decline, exception being the deployment of new electric vehicles
Capacity Cost	Average cost of new capacity stable or declining	Average cost of new capacity increasing
Utility Objectives	Reliability, customer service, affordability (low rates), returns to shareholders	Reliability, environmental quality, service quality, affordability (low bills), returns to shareholders
Role of Consumer	Passive	Active, equipped with technology and incentives to manage energy consumption and generate energy

Source: Nair, Sanju. 2013. "Building a Thriving and Extended Utilities Value Chain"

Exhibit 3 The different types of peripherals offered by the re:dy system

Type of peripheral	Compatible devices
re:dy plug 	televisions, game consoles, washing machines, fridges, dishwashers
re:dy meter 	multiple electric circuits such as lighting circuits, pool pumps and irrigation systems
re:dy plug solar 	solar power systems

Source: EDP Website (2017). Available in: <https://energia.edp.pt/particulares/servicos/redy/como-funciona/>





Exhibit 4 The re:dy box

Source: EDP Website (2017). Available in: <https://energia.edp.pt/particulares/servicos/redy/como-funciona/>

Exhibit 5 The re:dy app



Source: EDP Website (2017). <https://energia.edp.pt/particulares/servicos/redy/como-funciona/>

Exhibit 6 New EDP Re:dy Kits

EDP Re:dy Kits	Components	Pricing
Re:dy Starter	 edp re:dy box 3 edp re:dy plug	102 € (initial cost) + 3,9 € (monthly charge)
Re:dy Solar	 edp re:dy box 2 edp re:dy plug edp re:dy plug solar (1)	127 € (initial cost) + 3,9 € (monthly charge)
Re:dy Electric Car	 edp re:dy box 2 edp re:dy plug edp re:dy meter	157 € (initial cost) + 3,9 € (monthly charge)
Re:dy Pool&Garden	 edp re:dy box 2 edp re:dy plug edp re:dy meter	157 € (initial cost) + 3,9 € (monthly charge)

Source: EDP Website (2017). <https://energia.edp.pt/particulares/servicos/rdy-en/kits>

Exhibit 7 Two additional kits created

EDP Re:dy Kits	Components	Pricing
Re:dy Air Conditioning	 edp re:dy box 2 edp re:dy plug edp re:dy plug A/C	102 € (initial cost) + 3,9 € (monthly charge)
Re:dy Heating	 edp re:dy box 2 edp re:dy plug edp re:dy switch	127 € (initial cost) + 3,9 € (monthly charge)

Source: EDP Website (2017). <https://energia.edp.pt/particulares/servicos/rdy-en/k>

EDP: GETTING *RE:DY* FOR THE FUTURE**Teaching Note****Sinopsis**

This Case Study describes how the Portuguese utility firm EDP managed to optimize its recently created energy management solution: re:dy. Launched in 2014, re:dy allowed its users to connect, control, monitor and automate their home electric devices in a single app. In addition to being a convenient and value adding service for consumers, re:dy also constituted a strategic offer for EDP, namely after the firm had been forced to rethink its business model due to intense future trends and a fast changing market environment.

By early 2015, still on an early stage in the market, re:dy was facing many issues, including lack of exposure, little demand and low sales volumes. Hence, EDP proceeded to initiate re:dy's optimization process, based on improvements in the service's attributes, promotion, distribution and pricing strategy, which resulted in a significant increase in re:dy's users during 2015 and 2016.

Target

- This case is may be used in **marketing courses**, since it addresses most of the components included on a Marketing process:
 - 1) Marketing analysis (5 C's): customer, company, competition, collaborators and context
 - 2) Segmentation, targeting and positioning of a product
 - 3) Marketing Mix (4 P's): product/service, place/channels, promotion and pricing¹²
 - 4) Sustaining value: customer acquisition and customer retention

¹² Regarding services, some authors ponder the existence of 7 P's: product/service, price, promotion, place, physical evidence, process and people. However, for the purpose of this case, the classic Marketing Mix is considered.

In addition, it is useful when the instructor of the course covers the following topics: the different types of marketing communication tools, ways of using customers as marketers and the concept, design and principles of service marketing.

- This case may also be used in **product management courses**, namely when the instructor covers the different phases of the product development cycle, the importance of user research for validating and building a product and the role of a product manager as driver of the vision, strategy, design and execution of a product.

Class Discussion

A series of questions for class discussion are presented below. Each instructor must choose the ones that best fit its intended teaching objectives, taking into consideration their adequacy for marketing, product management (or both) students:

A series of questions for class discussion are presented below. Each instructor must choose the ones that best fit its intended teaching objectives, taking into consideration their adequacy for marketing, product management (or both) students:

1. What were the main motivations behind the creation of the re:dy service?

Back in 2013, the energy sector was facing a series of future trends based on shifting demand and supply patterns: the growth of the Smart Home, IoT and green energy concepts; the development of a new type of client (“prosumer”) and the evolution of decentralized distributed energy systems. These trending lines forced EDP to rethink its business model, in order to capture new sources of revenue, build a closer relationship with its clients and be able to keep up with the market changes, thus maintaining a sustainable business in the future. This resulted in the creation of an extended value chain, based not only on the production, distribution and commercialization of energy, but also on decentralized energy management services at the client’s house, being one of them the re:dy system.

3. Describe the segmentation, targeting and positioning chosen for re:dy.

The main variables used for re:dy's segmentation were: geographic (country), demographic (gender, age and social/family status) and psychological (personality traits, lifestyle and values). Hence, re:dy's main target audience was composed by 30 to 60-year-old Portuguese male individuals, belonging to middle to upper class society. In addition, they were characterized as innovators, technology interested, energy conscious, parents and heads of homes. Finally, re:dy's positioning was based on functional benefits. Hence, in terms of the service's positioning statement, re:dy was established as an energy management solution capable of maximizing the comfort and efficiency that people experience at their homes. Secondly, regarding PoD (points of difference), re:dy was capable of integrating different types of devices in a single system, as well as offering benefits in all the promosumers' activities (production, management and consumption of energy).

4. Based on information from the case, which alternative positioning could EDP have established for re:dy?

EDP could also have established a product positioning based on emotional benefits. In fact, many of re:dy's current and potential users were technology lifestyle lovers, which often resulted in a pleasurable sensation when experiencing the re:dy system: "I love gadgets. (...) I am an engineer, so this type of service is pleasurable to me. It has that feel-good factor". Hence, grounded on this perspective, re:dy could be offered as an innovative gadget capable of offering technology lovers an exciting and pleasurable energy management experience, rather than a service created to maximize comfort and energy efficiency/optimization.

5. Describe the main stages of re:dy's new communication plan and analyze their relevance for the service.

Re:dy's new communication plan was composed by three stages: exposure, demonstration and experimentation. On a first phase, since re:dy was a new service in the market with little

recognition, the focus was on increasing awareness amongst consumers, namely through advertisements at the point of purchase (using light boxes), outdoors and pop-ups in online Portuguese newspapers. Social media such as Facebook and Youtube would also be used to create buzz, especially near early adopters.

On a second stage, the focus would be on demonstrating the service, not only how it worked, but also its functionalities and advantages. This way, consumers could have a deeper understanding of how *re:dy* could benefit their lives. For this matter, demonstration stands would be built, not only at the points of purchase but also in retailers and shopping centers, being the main goal to eliminate clients' potential concerns and purchase barriers.

Finally, on a third stage, the goal would be to persuade experimentation, by giving consumers the possibility to try a free app demo, which is an especially relevant strategy when a company is selling a product whose functionalities and benefits are still not commonly recognized amongst consumers.

6. Describe what type of distribution channels were chosen for *re:dy*, both before and after the optimization process.

Prior to *re:dy*'s optimization process, this service was only available in direct distribution channels (the consumer buys the good directly from the producer), namely online through the EDP website and on physical EDP stores spread across the country. Once *re:dy*'s new communication plan was defined, and the concepts of demonstration and experimentation gained relevance, additional distribution channels were chosen to reach the end user, such as EDP stands located in shopping centers and other crowded locations, as well as indirect channels, namely Portuguese big retailers (Worten, Fnac and Media Markt).

7. What were the main issues regarding *re:dy*'s initial pricing? What new pricing strategy did *re:dy*'s team members agree on?

Re:dy's initial pricing was inadequate for two main reasons. First of all, the perceived high monthly payment of 5,9 eur was originating a cancellation problem after the first year of usage, harming re:dy's ability to maintain users over time. On the other hand, the existence of a loyalty period (one year), was damaging the acquisition of new users, especially because consumers tend to be unwilling to accept a loyalty period when it comes to purchasing goods that they have never been used before or whose characteristics and benefits are not fully known.

Hence, EDP decided to eliminate the fidelization period, as well as decrease the monthly payment. In order to maintain re:dy's margins, these two components were compensated by an increase on the initial payment. Finally, a bundle at a discount price – joining re:dy and solar photovoltaic panels – was created, as well as a promotion that offered new users the first six monthly payments for free.

8. Discuss potential advantages and disadvantages (to both EDP and consumers) of the bundling strategy used with re:dy and solar energy panels.

EDP's bundle re:dy&solar could, on one hand, be attractive for consumers who were seeking to start producing their own energy and, at the same time, wanted to have a solution to manage, monitor and control that production. In that sense, this bundling strategy was attractive because it allowed customers to benefit from a single, value-oriented purchase of complementary products at a discount price. On the other hand, being offered a packaged bundle may present disadvantages, such as the lack of transparency - you don't know how much you are paying for each component - whilst with unbundled pricing you can pick exactly the options you want and evaluate prices for each one of them. In addition, bundling does not satisfy consumers that wish to receive more personalized offers.

For EDP, bundling re:dy with solar energy also presented some potential advantages, such as lower marketing and selling costs from the simplicity of a single priced product, as well as the potential for selling a greater volume of goods overall.

9. Discuss the improvements made in re:dy's attributes in December 2015 and the main motives behind these upgrades.

In December 2015, re:dy's team members decided to add two smart plugs to the service: the re:dy plug A/C for air conditioning systems and the re:dy switch for heating pumps and boilers. This decision was made taking into consideration the fact that re:dy's potential benefits were proportional to the amount of equipment connected to the system. Hence, with a higher number of available smart plugs, users had the possibility to connect more devices, increase their homes' automation and control potential, and take full advantage of re:dy's benefits. Thus, these new offers would help minimizing cancellation issues after the first year of usage, as well as contribute to the acquisition of new users.

In addition, it was added the possibility of receiving personalized messages through the re:dy app, not only regarding saving opportunities but also energy optimization tactics, customized for each client's profile.

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